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C O N F I D E N T I A L AMMAN 005517

SIPDIS

E FOR LISA COEN, PETER CHASE
NEA FOR DAS CHENEY
TREASURY FOR LARRY MCDONALD

E.O. 12958: DECL: 09/24/2007
TAGS: ETTC EFIN PREL IZ JO UNSC
SUBJECT: IMPACT ON JORDANIAN BANKS OF OIL-FOR-FOOD TRADE
INTERRUPTION

REF: A. USUN 2351

1B. AMMAN 4697
1C. AMMAN 5240

Classified By: DCM GREGORY L. BERRY. REASONS 1.5 (B) AND (D)

11. (C) According to the UN officials cited in ref A, possible military action involving Iraq would interrupt the functioning of the oil-for-food program. Suppliers of O-F-F goods whose delivery could not be confirmed by UN officials in Iraq would therefore not be paid under the current rules governing the program. The Jordanian Central Bank governor had previously described to us (ref B) the financial disarray this would cause for the Jordanian banking system, which at any one time has up to \$500 million in letters of credit outstanding to finance O-F-F trade through Jordan. In effect, Jordanian banks, not suppliers, could be left holding the bag if O-F-F trade were interrupted, a burden the governor did not think the banking system could bear.

12. (C) The governor asked about U.S. thinking on possible modifications of UN rules that would reduce the risks for Jordanian banks. It is likely that Jordanian officials will raise this problem in the high-level discussions between U.S. and Jordanian economic officials we expect over the next month. We believe it will be useful to engage on this issue, which is in addition to the other economic ramifications of hostilities involving Iraq described in the recent Jordanian draft paper (ref c).

GNEHM